



House of Representatives

File No. 680

General Assembly

February Session, 2018

(Reprint of File No. 142)

Substitute House Bill No. 5171
As Amended by House
Amendment Schedule "A"

Approved by the Legislative Commissioner
May 3, 2018

**AN ACT PROHIBITING THE EXECUTIVE BRANCH FROM MAKING
RESCISSIONS OR OTHER REDUCTIONS TO THE EDUCATION COST
SHARING GRANT DURING THE FISCAL YEAR.**

Be it enacted by the Senate and House of Representatives in General
Assembly convened:

1 Section 1. Section 10-262i of the 2018 supplement to the general
2 statutes is repealed and the following is substituted in lieu thereof
3 (*Effective July 1, 2018*):

4 (a) For the fiscal year ending June 30, 1990, and for each fiscal year
5 thereafter, each town shall be paid a grant equal to the amount the
6 town is entitled to receive under the provisions of section 10-262h.
7 Such grant shall be calculated using the data of record as of the
8 December first prior to the fiscal year such grant is to be paid, adjusted
9 for the difference between the final entitlement for the prior fiscal year
10 and the preliminary entitlement for such fiscal year as calculated using
11 the data of record as of the December first prior to the fiscal year when
12 such grant was paid.

13 (b) The amount due each town pursuant to the provisions of

14 subsection (a) of this section shall be paid by the Comptroller, upon
15 certification of the Commissioner of Education, to the treasurer of each
16 town entitled to such aid in installments during the fiscal year as
17 follows: Twenty-five per cent of the grant in October, twenty-five per
18 cent of the grant in January and the balance of the grant in April. The
19 balance of the grant due towns under the provisions of this subsection
20 shall be paid in March rather than April to any town which has not
21 adopted the uniform fiscal year and which would not otherwise
22 receive such final payment within the fiscal year of such town.

23 (c) All aid distributed to a town pursuant to the provisions of this
24 section and section 10-262u shall be expended for educational
25 purposes only and shall be expended upon the authorization of the
26 local or regional board of education and in accordance with the
27 provisions of section 10-262u. For the fiscal year ending June 30, 1999,
28 and each fiscal year thereafter, if a town receives an increase in funds
29 pursuant to this section over the amount it received for the prior fiscal
30 year, such increase shall not be used to supplant local funding for
31 educational purposes. The budgeted appropriation for education in
32 any town receiving an increase in funds pursuant to this section shall
33 be not less than the amount appropriated for education for the prior
34 year plus such increase in funds.

35 (d) (1) For the fiscal year ending June 30, 2018, (A) if the amount of
36 the equalization aid grant a town is entitled to pursuant to section 10-
37 262h is greater than its base grant amount, the difference between the
38 amount of such equalization aid grant and such town's base grant
39 amount shall be the aid increase for such town for the fiscal year
40 ending June 30, 2018, and (B) if the amount of the equalization aid
41 grant a town is entitled to pursuant to section 10-262h is less than its
42 base grant amount, the difference between such town's base grant
43 amount and the amount of such equalization aid grant shall be the aid
44 reduction for such town for the fiscal year ending June 30, 2018.

45 (2) For the fiscal year ending June 30, 2019, (A) if the amount of the
46 equalization aid grant a town is entitled to pursuant to section 10-262h

47 is greater than the equalization aid grant amount such town received
48 for the previous fiscal year, the difference between the amount of such
49 town's equalization aid grant for the fiscal year ending June 30, 2019,
50 and the equalization aid grant amount such town received for the
51 previous fiscal year shall be the aid increase for such town for the fiscal
52 year ending June 30, 2019, and (B) if the amount of the equalization aid
53 grant a town is entitled to pursuant to section 10-262h is less than the
54 equalization aid grant amount such town received for the previous
55 fiscal year, the difference between the equalization aid grant amount
56 such town received for the previous fiscal year and the amount of such
57 town's equalization aid grant for the fiscal year ending June 30, 2019,
58 shall be the aid reduction for such town for the fiscal year ending June
59 30, 2019.

60 (e) Notwithstanding any provision of the general statutes or any
61 special act, the Governor shall not (1) reduce allotment requisitions or
62 allotments in force pursuant to section 4-85, as amended by this act, or
63 (2) make reductions in allotments in order to achieve budget savings in
64 the General Fund in any budgeted agency of the state, concerning the
65 equalization aid grant that a town is entitled to receive under the
66 provisions of section 10-262h and paid under this section.

67 Sec. 2. Subsection (e) of section 4-85 of the 2018 supplement to the
68 general statutes is repealed and the following is substituted in lieu
69 thereof (*Effective July 1, 2018*):

70 (e) The provisions of this section shall not be construed to authorize
71 the Governor to reduce allotment requisitions or allotments in force
72 concerning (1) aid to municipalities; (2) the equalization aid grant that
73 a town is entitled to receive under the provisions of section 10-262h
74 and paid under section 10-262i, as amended by this act; or [(2)] (3) any
75 budgeted agency of the legislative or judicial branch, except that the
76 Governor may propose an aggregate allotment reduction of a specified
77 amount in accordance with this section for the legislative or judicial
78 branch. If the Governor proposes to reduce allotment requisitions or
79 allotments in force for any budgeted agency of the legislative or

80 judicial branch, the Secretary of the Office of Policy and Management
81 shall, at least five days before the effective date of such proposed
82 reductions, notify the president pro tempore of the Senate and the
83 speaker of the House of Representatives of any such proposal affecting
84 the legislative branch and the Chief Justice of any such proposal
85 affecting the judicial branch. Such notification shall include the
86 amounts, effective dates and reasons necessitating the proposed
87 reductions. Not later than three days after receipt of such notification,
88 the president pro tempore or the speaker, or both, or the Chief Justice,
89 as appropriate, may notify the Secretary of the Office of Policy and
90 Management and the chairpersons and ranking members of the joint
91 standing committee of the General Assembly having cognizance of
92 matters relating to appropriations and the budgets of state agencies, in
93 writing, of any objection to the proposed reductions. The committee
94 may hold a public hearing on such proposed reductions. Such
95 proposed reductions shall become effective unless they are rejected by
96 a two-thirds vote of the members of the committee not later than
97 fifteen days after receipt of the notification of objection to the proposed
98 reductions. If the committee rejects such proposed reductions, the
99 Secretary of the Office of Policy and Management shall present an
100 alternative plan to achieve such reductions to the president pro
101 tempore and the speaker for any such proposal affecting the legislative
102 branch or to the Chief Justice for any such proposal affecting the
103 judicial branch. If proposed reductions in allotment requisitions or
104 allotments in force for any budgeted agency of the legislative or
105 judicial branch are not rejected, such reductions shall be achieved as
106 determined by the Joint Committee on Legislative Management or the
107 Chief Justice, as appropriate. The Joint Committee on Legislative
108 Management or the Chief Justice, as appropriate, shall submit such
109 reductions to the Governor through the Secretary of the Office of
110 Policy and Management not later than ten days after the proposed
111 reductions become effective.

112 Sec. 3. Section 13 of public act 17-2 of the June special session is
113 repealed and the following is substituted in lieu thereof (*Effective from*

114 *passage*):

115 (a) The Secretary of the Office of Policy and Management may make
116 reductions in allotments for the executive branch, except allotments for
117 equalization aid grants paid to a town pursuant to section 10-262i of
118 the general statutes, as amended by this act, for the fiscal years ending
119 June 30, 2018, and June 30, 2019, in order to achieve budget savings in
120 the General Fund of \$42,250,000 in the fiscal year ending June 30, 2018,
121 and \$45,000,000 in the fiscal year ending June 30, 2019.

122 (b) The Secretary of the Office of Policy and Management may make
123 reductions in allotments for the legislative branch for the fiscal years
124 ending June 30, 2018, and June 30, 2019, in order to achieve budget
125 savings of \$1,000,000 in the General Fund during each such fiscal year.
126 Such reductions shall be achieved as determined by the president pro
127 tempore and majority leader of the Senate, the speaker and majority
128 leader of the House of Representatives, the Senate Republican president
129 pro tempore and the minority leader of the House of Representatives.

130 (c) The Secretary of the Office of Policy and Management may make
131 reductions in allotments for the judicial branch for the fiscal years ending
132 June 30, 2018, and June 30, 2019, in order to achieve budget savings in the
133 General Fund of \$3,000,000 in the fiscal year ending June 30, 2018, and
134 \$8,000,000 in the fiscal year ending June 30, 2019. Such reductions shall be
135 achieved as determined by the Chief Justice and Chief Public Defender.

136 Sec. 4. Section 14 of public act 17-2 of the June special session is
137 repealed and the following is substituted in lieu thereof (*Effective from*
138 *passage*):

139 The Secretary of the Office of Policy and Management may make
140 reductions in allotments in any budgeted agency of the state, except
141 allotments for equalization aid grants paid to a town pursuant to section
142 10-262i of the general statutes, as amended by this act, in order to achieve
143 targeted budget savings in the General Fund of \$111,814,090 for the fiscal
144 year ending June 30, 2018, and \$150,878,179 for the fiscal year ending June
145 30, 2019.

146 Sec. 5. Subsection (d) of section 12-170f of the 2018 supplement to
 147 the general statutes is repealed and the following is substituted in lieu
 148 thereof (*Effective July 1, 2018*):

149 (d) The secretary shall (1) select one or more grants of state financial
 150 assistance provided to a municipality pursuant to any provision of the
 151 general statutes to withhold or reduce for purposes of this section,
 152 except the equalization aid grant paid to a town pursuant to section 10-
 153 262i, as amended by this act, (2) not later than June 30, 2018, and each
 154 fiscal year thereafter, withhold or reduce such state financial assistance
 155 provided to a municipality in an amount equal to fifty per cent of any
 156 grant payments made pursuant to this section to renters in such
 157 municipality for the most recent application period, provided the
 158 aggregate amount withheld or reduced shall not exceed two hundred
 159 fifty thousand dollars per municipality for any fiscal year, and (3)
 160 transfer such amounts withheld or reduced to the Office of Policy and
 161 Management for purposes of making grant payments pursuant to this
 162 section. For purposes of this subsection "state financial assistance"
 163 means any grant funded by an appropriation authorized by public or
 164 special act of the General Assembly, but excluding any grant or loan
 165 financed from the proceeds of the state's general obligation bond
 166 issued pursuant to any authorization, allocation or approval of the
 167 State Bond Commission.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2018</i>	10-262i
Sec. 2	<i>July 1, 2018</i>	4-85(e)
Sec. 3	<i>from passage</i>	PA 17-2 of the June Sp. Sess., Sec. 13
Sec. 4	<i>from passage</i>	PA 17-2 of the June Sp. Sess., Sec. 14
Sec. 5	<i>July 1, 2018</i>	12-170f(d)

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 19 \$	FY 20 \$
Education, Dept.	GF - See Below	See Below	None
Various State Agencies	GF - See Below	See Below	None

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 19 \$	FY 20 \$
All Municipalities	See Below	See Below	None

Explanation

The bill prevents holdbacks and other executive branch reductions to the Education Cost Sharing (ECS) grant in FY 19. The bill requires the executive branch to fund ECS at the level required in the biennial budget's ECS formula, which for FY 19 is approximately \$2.014 billion.

In the absence of the bill, the ECS grant may experience holdbacks and other reductions in FY 19. The biennial budget includes FY 19 targeted savings, municipal aid savings, and unallocated lapses totaling approximately \$220.1 million. The bill will result in the executive branch taking the savings and unallocated lapses from non-ECS accounts, which may impact various state agencies and municipalities (see below).

In FY 18, ECS holdbacks and other midyear reductions totaled approximately \$58 million of an estimated \$166.6 million in unallocated lapses, targeted savings, and municipal aid savings. The ECS reductions resulted in a revenue loss for every municipality.

The bill will prevent an ECS revenue loss for municipalities in FY 19. It is anticipated that other municipal aid may be reduced in lieu of ECS reductions in FY 19. The impact on a municipality will depend on how the other municipal aid reductions are distributed.

The bill does not have a fiscal impact to the state or municipalities in FY 20, as the provisions that extend beyond FY 19 are clarifications of existing law regarding ECS grants and reductions to agency allotments and agency requisitions.

House "A" strikes the underlying bill, which had no fiscal impact, and replaces it with the impact described above.

The Out Years

As described above, the bill does not have a fiscal impact to the state or municipalities in FY 20 or beyond.

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OLR Bill Analysis**sHB 5171 (as amended by House "A")******AN ACT PROHIBITING THE EXECUTIVE BRANCH FROM MAKING RESCISSIONS OR OTHER REDUCTIONS TO THE EDUCATION COST SHARING GRANT DURING THE FISCAL YEAR.*****SUMMARY**

This bill, overriding any general statute or special act, prohibits the governor from cutting education cost sharing (ECS) aid grants to towns by (1) using his rescission authority to reduce allotment requisitions or allotments in force or (2) making reductions in allotments in any budgeted agency to achieve General Fund budget savings. An allotment requisition is a state agency's formal quarterly request to the Office of Policy and Management (OPM) for the amount it needs to carry out an appropriation's purpose. An allotment in force is an allotment that OPM has granted. Existing law already exempts municipal aid from rescissions.

The bill also revises provisions in the budget act (PA 17-2, June Special Session) to exempt ECS aid grants from authorized reductions to achieve General Fund budget savings for FYs 18 and 19 (i.e., unallocated budgeted lapses and targeted budget savings). Presumably, this applies to reductions made after the bill's passage for FYs 18 and 19.

The bill also exempts ECS grants from being used by OPM as one of the municipal assistance programs that the OPM secretary can withhold assistance from in order to recover part of the costs it incurs in the Renters' Rebate Program (see BACKGROUND).

*House Amendment "A" adds the provisions exempting ECS aid grants from authorized reductions under the budget act and assistance withholdings related to the Renters' Rebate Program.

EFFECTIVE DATE: July 1, 2018, except the provisions exempting ECS aid grants from authorized reductions under the budget act are effective upon passage.

BACKGROUND

Governor's Authority to Reduce Allotment Requisitions or Allotments in Force

By law, the governor can reduce an allotment requisition or allotment in force if he (1) determines circumstances have changed after the budget's adoption or (2) estimates that budgeted resources will be insufficient to fully fund all appropriations. He may also do so if the comptroller's cumulative monthly financial statement shows a General Fund deficit of more than 1% of total General Fund appropriations. These reductions are called rescissions.

The law limits the amount by which the governor can reduce allotments and restricts him from reducing certain grants and line items. He may reduce allotments within specified limits—up to 5% of an individual appropriation account within an agency or 3% of total appropriations in a fund – but must seek the legislature's approval for reductions that exceed these limits (there are exceptions for extreme emergencies). The governor is also restricted from cutting (1) municipal aid, (2) certain "watchdog" agency line items (e.g., the Office of State Ethics), or (3) legislative and judicial branch line items. He may, however, require an aggregate allotment reduction for the legislative and judicial branches (CGS § 4-85(e)).

Renters' Rebate Program

The state's Renters' Rebate Program provides rebates to older adult or totally disabled renters whose incomes do not exceed certain limits. By law, the state issues the rebates to renters, prorating them as necessary to stay within available appropriations. But OPM must recover from municipalities 50% of the cost of issuing rebates to the municipality's residents through grant withholdings or reductions. Beginning in FY 18 and annually thereafter, OPM must select at least one state grant per municipality from which to withhold up to

\$250,000 per year. The amount of money withheld or reduced must be based on rebates for the most recent application period. The secretary must transfer the amount withheld or reduced to OPM for making renters' rebate payments (CGS § 12-170f).

COMMITTEE ACTION

Education Committee

Joint Favorable

Yea 27 Nay 9 (03/14/2018)